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MINUTES OF THE DECEMBER 13, 1991  
POLICY COORDINATING COMMITTEE (PCC) ON SOUTH AFRICA

The Africa Policy Coordination Committee, chaired by Assistant Secretary Cohen, met December 13 to discuss South African issues. Amb. Cohen opened the meeting by reviewing recent developments in South Africa, his trip to South Africa and recent South African visitors to the U.S. Amb. Cohen remarked that contacts with all groups in South Africa were increasingly focussing on economic issues. When Nelson Mandela had met with the President and Secretary Baker early last December, he had acknowledged the need for South Africa's economy to grow. The President had also called President de Klerk, who asked the President to take action on the Gramm Amendment and the IMF. Amb. Cohen also noted the commitment of the G-7 countries to increase assistance to South Africa.

Moving to agenda items, he asked the status of various agencies' programs for South Africa.

OPIC

OPIC said that it was prepared to pursue discussions with the government and other groups regarding an investment agreement. OPIC would be interested in following up such discussions with an investment mission which could focus on housing and entrepreneurship. The PCC agreed that OPIC should pursue such discussions as the government and other parties indicate they would be productive.

Export-Import Bank

Export-Import Bank financing of US exports to South Africa is limited by the Evans Amendment. Exim Bank reported that many exporters are also constrained by state and local sanctions. The representative from Legislative Affairs reported that the climate on the Hill was not right for repeal of the Evans Amendment but that a Presidential finding that South Africa had made "significant progress" in eliminating apartheid, thereby permitting Exim support for purchases by the

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SAG, would probably not face substantial opposition. Amb. Cohen said that the Administration's consistent message since July 10 was that such progress was being made and that linking a finding to the opening of the multiparty talks December 20 would be an appropriate message. The PCC agreed that State would prepare for interagency clearance a memo to the President recommending such a finding at the same time as H would consult on the Hill.

#### Gramm Amendment

Amb. Cohen reviewed the South African government's arguments for requesting US support for access to IMF facilities, consistent with the Gramm Amendment. The SAG contends that it cannot let the economy expand and run a deficit unless it has the promise of IMF standby support. The NSC Africa Director reported on the President's call to President de Klerk, where de Klerk said the SAG was preparing to begin spending heavily on social welfare issues at the beginning of the year. The President and National Security Advisor Scowcroft want to be of assistance to South Africa. Amb. Cohen suggested an assurance by the U.S. that, should South Africa present a proposal meeting the terms of the Gramm Amendment, we would support South African access to the Fund.

Treasury questioned if we were predicting that they would meet the criteria. Amb. Cohen and AF/S responded that we were not seeking to certify at this time that the conditions had been met but were merely assuring the SAG that we would adhere strictly to our law and not introduce additional political conditions. Treasury said that the IMF replenishment was an issue whose ramifications went far beyond South Africa and its failure would put into jeopardy programs in Eastern Europe and elsewhere, including any eventual support for South Africa. Amb. Cohen said that we would inform the ANC of our intentions just as we had done with the CAAA. While the ANC opposed US action regarding CAAA sanctions, the process of informing them that we were following US law had mollified that opposition. The PCC agreed that the Gramm Amendment question should be put off until more information is available on the passage of the IMF replenishment, probably in March. (Subsequently, the Gramm Amendment issue was included in a Presidential response to President de Klerk's December 4 letter and in the Exim Bank memorandum by assuring that we will agree to consider a South African IMF request which meets the conditions of Gramm.)

#### MTCR

PM/PRO briefed the PCC on plans to discuss with South Africa the sanctions imposed on ARMSCOR for missile technology proliferation violations. DoD raised a variety of questions concerning South Africa and MTCR which it agreed would be addressed in the separate PCC on non-proliferation.

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### Solarz-Lugar Initiative

Amb. Cohen introduced the Solarz-Lugar South African assistance initiative which linked a multilateral assistance program to a South African commitment to a free market system. A representative of the staff of the US Executive Director to the Multilateral Assistance Initiative for the Philippines briefed the PCC on that initiative, which Congressman Solarz had cited as a model. He posed two problems with any such initiative: it required (1) a credible multiyear financial commitment on the part of the USG and (2) an effective monitoring program. Treasury reported that the Philippine initiative was closely, if not explicitly, tied to the base negotiations and that the failure of those negotiations created considerable ill-will on Capitol Hill toward the Philippines. This had made it more difficult to obtain Congressional support for financing such foreign assistance programs.

Amb. Cohen said that Congressman Solarz was aware of the limits on our foreign assistance budget and apparently hoped that the US commitment could be in the form of housing guarantees and "callable capital," relying on other partners in the assistance program for the bulk of the cash outlay.

### Subcommittees

The PCC concluded with the establishment of subcommittees to deal with issues raised by the meeting:

- o Investment: chaired by EB with Treasury, USTR and OPIC participation;
- o Trade and export promotion: chaired by EB with Commerce and USTR participation (USTR wants to chair this and will work out the situation with EB);
- o International Financial Institutions: chaired by Treasury;
- o Assistance: chaired by AID with AF/EPS participation;
- o Presidential finding: State would take the lead in drafting the Presidential determination that South Africa has made significant progress in dismantling apartheid required to allow Exim financing under the Evans Amendment.

Participation in these subcommittees would be widespread and flexible.

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